

**SECOND AMENDMENT TO JUNE 9, 2000 AGREEMENT**  
**BETWEEN NJ TRANSIT AND LAKELAND BUS LINES, INC.**

This Second Amendment (hereinafter "Second Amendment") to the "Agreement for the Purchase, Lease, and Other Transfer of Certain Assets of and Relating to Lakeland Bus Lines' No. 24/78 and No. 46/80 Bus Routes" (hereinafter "June 9, 2000 Agreement"), dated June 9, 2000, is hereby entered into by and between on the one side Lakeland Bus Lines, Inc., having its offices at 425 East Blackwell Street, Dover, New Jersey 07802 (hereinafter "Lakeland") and Marta Mazzarisi, Maureen Leo, Donald Mazzarisi, and Greg Mazzarisi (hereinafter collectively referred to as "Four Individuals") and on the other side New Jersey Transit Corporation, an instrumentality of the State of New Jersey, and its wholly owned subsidiaries NJ TRANSIT Bus Operations and NJ TRANSIT Rail Operations (hereinafter collectively referred to as "NJ TRANSIT") having their offices at One Penn Plaza East, Newark, New Jersey 07105.

**WITNESSETH:**

**Whereas**, New Jersey Transit Corporation was created by the State of New Jersey and given the powers necessary to create an efficient, effective, and coordinated public transportation system; and

**Whereas**, New Jersey Transit Corporation, in furtherance of its statutory purposes and goals, has created NJ TRANSIT Bus Operations and NJ TRANSIT Rail Operations as its operating subsidiaries to provide essential bus and rail services for the residents of New Jersey; and

"2006 OPERATING AGREEMENT"

**AGREEMENT FOR OPERATING MOTORBUS PASSENGER SERVICE  
BETWEEN NJ TRANSIT AND LAKELAND BUS LINES, INC.  
FOR THE PERIOD JULY 1, 2006 THROUGH JUNE 30, 2016**

FINANCIAL CONSIDERATION AND OTHER TERMS

Notwithstanding any other terms and conditions of this Agreement for Operating Motorbus Passenger Service (as used herein the "2006 Operating Agreement"), NJ TRANSIT and Lakeland agree that Lakeland will operate the motorbus passenger service described in Exhibit A during the term of this 2006 Operating Agreement in consideration of the financial and other terms presented below:

**Part A: Financial Consideration**

1. NJ TRANSIT (NJT) and Lakeland shall share in the annual earnings and losses of Lakeland Bus Lines, Inc. resulting from all of Lakeland's operations computed based on Earnings (Losses) Before Interest, Income Taxes, Depreciation, and Amortization (EBITDA) for each calendar year based upon the following formula:

Annual Sharing Thresholds	Earnings		Losses	
	NJT	Lakeland	NJT	Lakeland
First \$800,000	100%	0%	100%	0%
Next \$800,000	80%	20%	95%	5%
Excess of \$1,600,000	50%	50%	50%	50%

2. The above Annual Earnings and Losses Sharing Thresholds (Thresholds) shall remain in effect from July 1, 2006 through December 31, 2007. Commencing with calendar year 2008, the thresholds shall be adjusted for each calendar year, as follows:
- Each Threshold shall be adjusted by the percentage change between the preceding two years in the Annual Average Consumer Price Index for Urban Wage Earners and Clerical Workers (Annual CPI-W), United States City Average, All Items, rounded to one decimal place.
  - The Annual CPI-W is determined by the United States Department of Labor, Bureau of Labor Statistics, and published during January of each year. The information is available on the Web at: <http://www.bls.gov/cpi/>.
  - For example, the Annual CPI-W for 2004 and 2005 were 184.5 and 191.0, respectively, reflecting an increase of 3.5%. Had this provision been in place for 2006, the above Thresholds would have been increased by 3.5%

from \$800,000 and \$1,600,000 to \$828,000 and \$1,656,000, respectively, for calendar year 2006.

3. The operations of Lakeland include, but are not limited to, all of its commuter, charter, special service operations, and other activities. Lakeland's financial operating results shall be accounted for in accordance with generally accepted accounting principles.
4. By November 15<sup>th</sup> of each year, Lakeland shall provide NJ TRANSIT with a proposed payroll budget for the next calendar year listing all Lakeland employees who are not covered by a collective bargaining agreement and the proposed compensation for each employee, excluding those identified in Item 6 below. The EBITDA earnings or losses of Lakeland shall only include compensation for the positions, employees, and compensation amounts approved by NJ TRANSIT for Lakeland's non-represented employees.
5. NJ TRANSIT and Lakeland agree that certain Lakeland positions and employees are considered Lakeland management whose compensation is included in an annual management fee of \$642,000 for calendar year 2006 which shall be included in the calculation of Lakeland's EBITDA earnings and losses in lieu of the compensation and benefits for these employees. Commencing with calendar year 2007, this annual management fee shall be adjusted for each subsequent calendar year based on the percentage increase between the preceding two years in the Annual CPI-W as described in Item 2 above. These positions and employees shall be excluded from the payroll budget for non-represented employees described in Item 4 above and from the calculation of Lakeland's EBITDA earnings and losses. The annual management fee includes all wages and benefits (including, but not limited to: short-term and long-term disability insurance, life and AD&D insurance, dental insurance, vision care, defined benefit and defined contribution pension plan contributions), except health insurance plan premiums, which shall be included in the calculation of EBITDA. These employees are eligible for the same health insurance coverage provided by Lakeland for all other non-represented employees.
6. NJ TRANSIT and Lakeland agree that the following positions and employees are considered Lakeland management whose compensation and benefits shall be included in the annual management fee described in Item 5 above:

<b>Title</b>	<b>Employee</b>
President	Marta M. Mazzarisi
Vice President	Maureen Leo
Secretary	Mark Leo
Treasurer	Donald Mazzarisi
Controller	Gregory D. Mazzarisi

7. At the close of each calendar quarter (March, June, September, December), Lakeland shall provide NJ TRANSIT with:
  - a. A financial report presenting its revenues and expenses by detail account for the quarter and on a year to date basis;
  - b. A statement presenting the calculation of EBITDA earnings or losses for the period in accordance with this Exhibit B; and
  - c. A statement presenting the distribution of EBITDA earnings or losses for the period in accordance with this Exhibit B and calculation of the payment due from/to NJ TRANSIT for the period.
8. The initial quarterly report (described in Item 7 above) will be for the calendar quarter ended September 30, 2006.
9. At the close of each calendar year, Lakeland shall provide NJ TRANSIT with:
  - a. Financial statements presenting its financial position and revenues and expenses by detail account (consistent with Lakeland's present practice) for the calendar year accompanied by an independent public accountant's report on its audit of the financial statements in accordance with generally accepted auditing standards or its review of the financial statements in accordance with the professional standards and procedures applicable to the review of financial statements of non-public entities.
  - b. A report prepared by an independent public accountant presenting the calculation of EBITDA earnings or losses on a calendar year basis for the period in accordance with this Exhibit B (reflecting a recalculation of EBITDA earnings or losses for the entire calendar year);
  - c. An analysis presenting the diesel fuel consumed by Lakeland for revenue service by month for the year and the calculation of the average price per gallon of diesel fuel, excluding all taxes, paid by Lakeland for that calendar year; and
  - d. A report prepared by an independent public accountant presenting the distribution of EBITDA earnings or losses for the calendar year in accordance with this Exhibit B and the calculation of the payment due from/to NJ TRANSIT for the calendar year.
10. The initial calendar year report (described in Item 9 above) will be for calendar year 2006 and the EBITDA earnings and losses will reflect the six-month period ended December 31, 2006. The distribution of EBITDA earnings or losses for any partial year during the term of this 2006 Operating Agreement, such as 2006, will reflect a pro-ration of the Thresholds presented in Item 1 above.

11. In the event that the calculation of EBITDA earnings or losses for any given calendar year results in an EBITDA loss exceeding the first Threshold determined for that calendar year (e.g., \$800,000 for 2007), NJ TRANSIT and Lakeland agree that the distribution of the EBITDA loss should be adjusted if price increases for diesel fuel exceeded normal inflation as measured by the Annual CPI-W. Accordingly, the parties agree that the amount of the EBITDA loss attributable to the excess, if any, of the change in diesel fuel prices, excluding all taxes, between the current calendar year and calendar year 2005 over the change in the Annual CPI-W as described in Item 2 above for those same calendar years shall be allocated 100% to NJ TRANSIT, in accordance with the following:

- The average price of diesel fuel paid by Lakeland for calendar year 2005 of \$1.84 per gallon, excluding all taxes, is established as the benchmark price.
- The Annual CPI-W for 2005 was 191.0.
- All percentages are to be rounded to one decimal place.
- The calculation of the amount to be deducted from the EBITDA loss and allocated 100% to NJ TRANSIT is as follows:

$$[(A \text{ less } \$1.84)/\$1.84] \text{ less } [(B \text{ less } 191.0)/191.0] \times \$1.84 \times C$$

Where:

- A = Average price per gallon, excluding all taxes, paid by Lakeland for diesel fuel for the current calendar year
- B = Annual CPI-W for current calendar year
- C = Gallons of diesel fuel consumed by Lakeland for revenue service during the current calendar year

- **EXAMPLE:**

- Assume that for calendar year 2007:
  - A Lakeland pays an average price of \$2.20 per gallon,
  - B The Annual CPI-W for 2007 is determined to be 198.0, and
  - C Lakeland consumes 700,000 gallons of diesel fuel.
- As calculated below, \$204,792 would be deducted from the EBITDA loss for calendar year 2007 and allocated 100% to NJ TRANSIT:

$$[(\$2.20 - \$1.84)/\$1.84] = 19.6\%$$

$$[(198.0 - 191.0)/191.0] = 3.7\%$$

$$19.6\% - 3.7\% = 15.9\%$$

$$15.9\% \times \$1.84 \times 700,000 = \$204,792$$

**Part B: Other Terms**

1. Lakeland agrees to use its owned and leased buses, cars, maintenance vehicles and equipment, facilities, tools, materials, inventories, and any other assets required to maintain operations through the term of this 2006 Operating Agreement.
2. The parties agree to establish an Advisory Committee to review the operational and financial performance, service plans, fare structure, capital requirements, and other matters related to Lakeland operations and this 2006 Operating Agreement. NJ TRANSIT and Lakeland shall have equal representation on this Advisory Committee. NJ TRANSIT's Director of Private Carrier Affairs has the lead responsibility for scheduling meetings of the Advisory Committee approximately quarterly and for assembling the meeting agenda reflecting the topics requested by the parties. The Advisory Committee shall meet not less than semi-annually.
3. NJ TRANSIT shall seek, to the best of its ability, to provide Lakeland the following services without charge:
  - a. Parking for up to twenty (20) buses during the midday on weekdays within a reasonable distance from the Port Authority Bus Terminal (PABT)
  - b. Ticket sales at the PABT
  - c. Attendance at scheduled bus operator training courses (i.e., ADA, bus simulator)
4. Notwithstanding any other terms and conditions of this 2006 Operating Agreement, and consistent with the Indemnification provision (Section 14), NJ TRANSIT and Lakeland agree that Lakeland shall be entirely liable and responsible for any and all liabilities, judgments, claims, assessments, or any other financial impositions of any kind which may arise as a result of injuries or death to persons or damage to property or the violation of any law, regulation, rule, or breach of duty by Lakeland with respect to parties other than NJ TRANSIT. In the event that Lakeland is assessed, ordered to pay, or is required to pay any such judgment, assessment, or other financial payment, it is NJ TRANSIT and Lakeland's agreement that any and all such expenditures be paid by Lakeland or its insurer, and that none of Lakeland's financial obligations and/or liabilities be transferred to NJ TRANSIT through this 2006 Operating Agreement, and that no creditor of Lakeland shall be able to pursue the recovery of any such payment or liability from NJ TRANSIT.

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BETWEEN NJ TRANSIT AND LAKELAND BUS LINES, INC. FOR THE PERIOD  
JULY 1, 2006 THROUGH JUNE 30, 2016

This Agreement is made as of July 1, 2006, by and between the New Jersey Transit Corporation (hereinafter "NJ TRANSIT"), an instrumentality of the State of New Jersey, and Lakeland Bus Lines, Inc. (hereinafter "Carrier" or "Lakeland"), a New Jersey Corporation, having its principal place of business at 425 East Blackwell Street, Dover, New Jersey 07802.

WITNESSETH:

**Whereas**, New Jersey Transit Corporation was created by the State of New Jersey and given the powers necessary to create an efficient, effective, and coordinated public transportation system; and

**Whereas**, NJ TRANSIT is empowered, pursuant to the New Jersey Public Transportation Act of 1979 (N.J.S.A. 27:25-1 et seq.), to contract for motorbus regular route services; and

**Whereas**, Lakeland Bus Lines, Inc. holds operating rights from appropriate governmental agencies authorizing it to operate motorbus regular route service within the State of New Jersey and between points in this State, including Morris and Sussex Counties, and New York City; and

**Whereas**, Lakeland Bus Lines, Inc. has operated commuter bus service for the residents of Morris and Sussex Counties for a number of years pursuant to its interstate operating authority and in so doing has been utilizing its own buses and equipment as

NEW JERSEY TRANSIT CORPORATION  
NJ TRANSIT BUS OPERATIONS, INC.  
NJ TRANSIT RAIL OPERATIONS, INC.

By: *H. Charles Wedel*  
H. Charles Wedel

Date: 11/7/06

Chief Financial Officer & Treasurer  
New Jersey Transit Corporation  
NJ TRANSIT Bus Operations  
NJ TRANSIT Rail Operations

Sworn to and Subscribed before me,  
this day, the 7<sup>th</sup> of November 2006.

*Donna M. Ravenell* (SEAL REQUIRED)

Notary Public of New Jersey  
(Print or stamp name & Commission Expiration Date)

DONNA M. RAVENELL  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires October 18, 2009

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This Second Amendment has been reviewed and approved only as to form.

Stuart Rabner  
Attorney General of New Jersey

By: *Raymond C. Barzey*  
Raymond C. Barzey  
Deputy Attorney General

Date: 11.15.06